STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: ROBERT E. FAULKNER	)))	**FILE NO. 0400086**

NOTICE OF HEARING

TO THE RESPONDENT: Robert E. Faulkner
(CRD #: 849152)
512 Gerald Place
Ferguson, Missouri 63135

C/o Huntleigh Securities Corporation
7800 Forsyth Boulevard
5th Floor
Saint Louis, Missouri 63105

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 17 North State Street, Suite 1266, Chicago, Illinois 60602, on the 11th day of August, 2004 at the hour of 10:00 a.m. or as soon as possible thereafter, before James G. Athas Esq. or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered revoking Robert E. Faulkner's (the "Respondent") registration as a salesperson in the State of Illinois and/or granting such other relief as may be authorized under the Act including but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 11.E(4) of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

1. That at all relevant times, the Respondent was registered with the Secretary of State as a salesperson in the State of Illinois pursuant to Section 8 of the Act.

2. That on December 15, 2003 the American Stock Exchange, LLC (AMEX) entered Disciplinary Panel Decision in case no. 01-02 which imposed the following sanctions upon the Respondent:

   a. suspended him in all capacities for 90 calendar days; and

   b. required him to submit to a nine-month period of heightened supervision.

3. That the Decision which, was reached after the Respondent stipulated to the underlying facts but contested the sanctions sought, found that:

   a. Respondent, a broker with twenty-five years of experience and no disciplinary history, was employed by Salomon Smith Barney ("Smith Barney"), where he handled the account of a retired McDonnell Douglas executive. That customer followed an investment strategy consisting of selling "covered calls," i.e., calls covered by his own McDonnell Douglas shares.

   b. On two occasions in May of 1995, Respondent sold calls on McDonnell Douglas stock for the customer without his knowledge or authorization and without any prior written discretionary authority from him. After the customer complained, the Respondent promised to cancel the trades, but never did so, explaining that cancellation would have required notification to Smith Barney, which would have then held him responsible.

   c. Though Smith Barney's policies required that the Respondent report such customer complaints to the firm, he failed to do so.

   d. In June of 1995, at Respondent's suggestion, the customer agreed to allow him to try to recover the losses through future trading. In September of 1995, Respondent sent the customer a letter acknowledging his responsibility for the above unauthorized trades and for any subsequent trading that he would conduct until the customer was at least made whole. The Respondent wrote this letter from his home; because correspondence from his business address would have become known to the firm. Corresponding with a customer from a broker's home address was contrary to Smith Barney's policies .

   e. In December of 1995, the customer sent the Respondent a memorandum of understanding, which Respondent signed in July of 1996. It stated, <u>inter alia</u>, that Respondent "agreed to reimburse [the customer) for any losses that resulted from [the 1995 unauthorized transactions] and any losses that resulted from the attempt to trade out of the original losses."

f. In September of 1998, the customer sent Respondent a letter stating his desire that he discontinue efforts to trade out of the losses and suggesting alternatives for payment of the losses alleged. The Respondent failed to respond to that letter and to follow-up letters of November of 1998 and January of 1999.

g. In June of 1999, the customer filed a civil action against Respondent, who did not notify the Exchange or his firm of the filing, although an Exchange Rule and Smith Barney's policies required such reporting. The customer later withdrew that litigation and filed an NASD arbitration proceeding against the Respondent and the firm.

h. Again Respondent failed to notify the Exchange or his firm of this arbitration proceeding, although an Exchange Rule and Smith Barney's policies required such notification.

i. The parties agree that the customer sustained losses of at least $50,000 and that, ultimately (after the arbitration was filed) the Respondent, personally made restitution of $55,000 to the customer and $7,500 to Smith Barney

j. In March of 2000, Smith Barney terminated the Respondent's employment, with the Form U-5 reflecting his failure to have reported a customer complaint.

k. Based on the foregoing, the Disciplinary Panel, by unanimous vote, found that the Respondent (i) failed to report a customer complaint to his firm and corresponded with a customer from his home address in contravention of the firm's policies, (ii) effected unauthorized trades, (iii) guaranteed a customer against loss, and (iv) failed to inform the Exchange or his firm that he had become involved in litigation and an arbitration proceeding.

l. This conduct violated Exchange Rules 345(a)(4); 924(a); 341, Commentary, 08(5)(2); and 341, Commentary, 08(5)(9), respectively.

4. That Section 8.E(1)(j) of the Act provides, inter alia, that the registration of a salesperson may be revoked if the Secretary of State finds that such salesperson has been suspended by any self-regulatory organization registered under the Federal 1934 Act or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory organization.

5. That the AMEX is a self-regulatory organization as specified in Section 8.E(l)(j) of the Act.

6. That by virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(j) of the Act.

You are further notified that you are required pursuant to Section 130.1104of the Rules and Regulations (14 ILL. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

A copy of the Rules, promulgated under the Act and pertaining to hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 15th day of July 2004.

Jesse White /W

JESSE WHITE
Secretary of State
State of Illinois

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